

Big-five personality as a moderating variable in the relationship of CEO's perception and the compensation received toward CEO's desire to leave the company voluntarily

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ABSTRACT

The study aims to obtain empirical evidence for the effect of personality on the impact of compensation received by CEO in Indonesia toward CEO voluntary turnover. This study uses two sources of data, primary and secondary. The research population consists of all president directors (as a proxy of the CEOs) of companies listed on the Indonesia Stock Exchange. The data on CEO turnover were collected manually by tracing the names of the Director stated on the company's annual report. To determine whether CEO turnover was involuntary or coercive, this research examined the growth of the company in which the CEO turnover occurred after the CEO had served a minimum of three consecutive years. Test result on the relationship between compensation and turnover indicates that compensation is not strong enough to explain voluntary CEO turnover. Only the control variables included in the model (earnings, returns and ROA) can explain statistically the relationship between compensation and turnover. The result of these two tests (hypothesis one and two) indicates that compensation is not strong enough to explain voluntary turnover.

ABSTRAK

Penelitian ini bertujuan untuk mendapatkan bukti empiris pengaruh kepribadian dan dampak kompensasi yang diterima CEO di Indonesia terhadap CEO voluntary turnover. Penelitian ini menggunakan dua sumber data, primer dan sekunder. Populasi penelitian terdiri dari semua presiden direktur (sebagai proxy CEO) dari perusahaan yang terdaftar di Bursa Efek Indonesia. Data tentang CEO turnover dikumpulkan secara manual dengan menelusuri nama-nama Direktur yang menyatakan laporan tahunan perusahaan. Untuk menentukan apakah CEO turnover adalah disengaja atau terpaksa, penelitian ini meneliti pertumbuhan perusahaan di mana CEO turnover terjadi setelah CEO menjabat minimal tiga tahun berturut-turut. Hasil pengujian pada hubungan antara kompensasi dan turnover menunjukkan bahwa kompensasi tidak cukup kuat untuk menjelaskan CEO voluntary turnover. Hanya variabel kontrol dalam model (pendapatan, pengembalian dan ROA) dapat menjelaskan secara statistik hubungan antara kompensasi dan turnover. Hasil dua tes ini (hipotesis satu dan dua) menunjukkan bahwa kompensasi tidak cukup kuat untuk menjelaskan voluntary turnover.

1. INTRODUCTION

So far, studies dealing with the effect of personality have not yet been considered having enough evidence, especially on the impact of compensation received by CEO in Indonesia toward CEO voluntary turnover. This study has focused on the two-tier board system adopted in Indonesia, consisted in a separation between the board of commission

and the board of director in the corporate governance structure (Tumbuan 2005). In addition, the two-tier board system is adopted in many continental European countries, such as Germany, the Netherlands, Austria, and China.

Rinaldi Firmansyah, Telkom's President Director was appointed in 2007. He, previously, served as President Director of Bahana Securities. In 2008,

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his income was recorded at Rp7.53 billion or approximately Rp627.5 million per month. Another one is Agus Martowardoyo, who, previously, served as President Director of Bank Mandiri. He was the President Director of Bank Permata, until 2005. Following his leadership, the bank experienced a significant increase in performance so that in 2008 there was 11.06% salary increase for directors. In the financial statements of the Bank in 2008, an average of He brings home income more than Rp6.6 billion for 2008. This issue raises the question, whether the executives in Indonesia moved to a new company to obtain better compensation, as described and predicted labor theory to the executive?

(<https://indonesiacompanynews.wordpress.com/daftar-gaji-pejabat-tinggi/daftar-gaji-bos-bumn/>).

In fact, the result of study in the area of compensation and CEO turnover remains to be on the process. In the previous study, compensation has been used as an antecedent of voluntary CEO turnover, such as in the study of Hadlock and Lumer (1997) and Takahashi (2006). Hadlock and Lumer (1997) stated that compensation had an important power during the testing period they had done. Compensation granted based on pay for performance would eventually determine CEO's desire whether to survive and become loyal to the company or to leave the company, along with the CEO's confidence in having the opportunity to obtain better compensation in the labor market.

Moreover, some researchers stated that behavioral factor is considered an important variable influencing the patterns of thinking and individual perspective on certain issues. Also, some researchers such as Finkelstein and Hambrick (1988), Datta and Guthrie (1994), and Fredrickson et al. (1988) stated that most of the time, research only analyzed profoundly the factors influencing executive turnover from the company's performance side. Those researchers suggested including more factors inherent to the CEO individual. In relation to this issue, Fredrickson et al. (1988) suggested to present social and political factors to predict the turnover of CEO. Datta and Guthrie (1994) suggested including the demographic characteristics of the CEO in the group in examining the relationship among some antecedents on the CEO turnover. Thus, the main research question posed in this study is whether CEOs' personality influences the relationship between compensation and CEO's perception for deciding to leave the company voluntarily?

This study also conducted an endurance test using secondary data on the value of the compensa-

tion received by the CEO on the turnover. The result of the test is used to explain the effect of personality on the impact of compensation on the turnover. In fact, the labor market theory states that the market will give greater rewards to the CEO who has more capabilities (especially the specific capabilities) than those who do not. However, this study assumes that not all CEOs consider that the amount of compensation they receive is identical with the capabilities they have. This study argues that not all CEOs consider compensation value that they receive reflect their capabilities. Ellig (2007) stated that compensation not only in terms of money (extrinsic), but could also be in the form of non-material rewards (intrinsic) such as promotion, employment going concern, the extent of work autonomy, respect from the owners and so forth. Hence, the compensation granted by the company to the CEO becomes the single determinant in the CEO's consideration to leave the company. The second research question of this study is whether compensation has an impact on CEO turnover in Indonesia?

This study is expected to provide a new point of view on the relationship between compensation variable and CEO turnover, by including personality as a moderating variable. In relation to this effort, Zimmerman (2008) described that it is important to understand theoretically the relationship between personality types and the CEO turnover. When incorporating personality factor, this study can confirm the findings of previous studies which still showed various results. Thus, this study has also shown empirical evidence that on the overall sample of the CEO, the amount of compensation literally encourages voluntary turnover, although it is not statistically significant. The finding also indicates that CEO's personality elaborates the decision to leave the company when the compensation becomes a basic consideration. Therefore, this study has been successful to find a reason why previous studies have not found enough evidence of the relationship between compensation and CEO turnover, when using only secondary data.

This study can contribute to three sides; theoretical, methodological, and practical. In terms of the theoretical side, this study can enrich the theory of the labor market for executives with an empirical finding that personality factor should be considered as a contingent factor when market would like to offer executives (especially the CEO) with a certain compensation value. From the methodological point of view, this study can also a database of CEO turnovers in Indonesia for 11 periods (1999-

2009), and determine the voluntary CEO turnovers which were determined by assessing the company's performance for three years before the change occurred. Finally, in the perspective of practical side, this study has provided empirical evidence that in the decision to move in or out of the company (voluntarily) made by the CEO of the company, the compensation is not an important consideration. This study has found that CEO's personality affects CEO's decision to leave voluntarily. Perhaps eastern culture embraced by the majority of Indonesian people, including among executives, the compensation is not the only measure of appreciation. Respect, familiarity, and warmth are felt from the work environment and they can be the primary choice for the decision. This is made to withstand in the company.

This study is presented as follows: background, as what has been done previously; theoretical foundation, study of literature, and subsequently will be used for developing hypothesis; research methods that will describe the data and sample used in this study, the study models and statistical tools that are used and also the explanation of study variables. At the end, there will be a discussion about the hypothesis testing result, and the further point that consists of a review of the conclusions, implications, and limitations and suggestions for further study.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency theory is the grand theory describing the interaction (even often in the form of a conflict) between the owner and the management. In agency theory (Jensen and Meckling 1976), it is stated that, among the parties concerned such as the owner and the management, there has been asymmetric information since the public company made the separation between the two. Also, in terms of the issue of the CEO turnover, Agency theory has been found as a very relevant theory to explain the decision of CEO turnover, either voluntarily or not. It further encourages the owner to form an agreement (contract) with the CEO as a tool to direct the actions of the CEO in order to perform activities that lead to the improvement of the owner's welfare. Agency theory dominates the issue of CEO turnover in many cases that have been studied previously.

Other theories used in this study are the equity theory versus expectancy theory. Traditionally, payment motivation can be explained using two theories, equity theory and expectancy theory (Ellig

2007). Equity theory (theory of justice) predicts that individuals will improve the performance if they believe that the level of payment they receive is bigger than the outer, and vice versa, the performance will decrease if they believe that the level of payment is lower than the performance they have given.

In formulating the Equity Theory, Adams in Lindquist (1995) explains that the executives feel confident when the compensation they receive is not in accordance with the performance they have given. Consequently, they can dramatically decide to leave the company. Explanation of justice theory is supported by expectancy theory, which explains that individuals will increase their output in the expectation to receive increased payment. In the case of executives, if the individual does not receive a consistent increase to the improved performance she or he given, the individual (by using the theory of justice) would likely lower their performance or find a new job.

Porter and Lawler Model (1968): Porter and Lawler model offers inspires the researchers to cover up some weaknesses of Expectancy theory that has been developed by Vroom (1964). In this case, Porter and Lawler model is consistent with Vroom expectation model, of which main idea is to propose that employee motivation depends on: (1) the extent of benefits received by certain employees, and (2) the belief of the employees towards the rewards they receive due to their performance in the company. This model is a model that underlies the thinking about relationship among performance, compensation, satisfaction, and perception of the fairness of reward received by employees (including the CEO).

Labor market theory for executive: Kaplan (1998) explains that market will pay a CEO who has a special talent with a higher price because she or he is considered capable to take the company ahead of the competition in the product market. Labor market is said to work if its three functions work such as the presence of tasks control delegation, compensation that is built in accordance with the purpose of the company owner, and the last function is taking into account the performance of the executive career ladder.

Personality theory is an important theory for explaining the effect of personality on the relationship of compensation on CEO turnover. Personality theory is a branch of psychology that focuses on a coherent picture of a person and the main process of her or his psychological development; investigates individual differences (how a person can be

different from each other); and investigates human nature (how people behave) (Boeree 1997: 6). Jung (1934 - in Boeree 1997) offers a definition of personality as an innate privilege.

Effect of Personality on the Relationship of Compensation and CEO Turnover

A study by Zimmerman (2008) explained that it is important to understand the relationship between personality types and the CEO turnover theoretically, because by doing so, it can also understand how certain personality types can affect the desire to leave the company. If the CEO turnover can be reduced, it is likely to have an impact on the efficiency of the company cost, especially those related to recruitment and human resource development. A study by Salgado (2002) measures whether the Big-Five can be a predictor of counterproductive behaviors, such as absenteeism, accidents, behavioral and turnover. In this study, Salgado found that conscientiousness, extroversion, openness, agreeableness and emotional stability can predict turnover.

The meta-analysis result by Zimmerman (2008) has found that personality types have an impact on the desire and individual turnover. In the case, the Emotional Stability or Neuroticism is positively related to the desire to leave, while Conscientiousness and Agreeableness is negatively related to the turnover decision. Openness has, on the contrary, a positive direct effect on turnover, possibly because the individual that has this sort of personality is open to find a job in the new environment (Hogan 1983), has a broad requirement (interest) (Costa and McCrae 1985; Fiske 1949) or easily switches orientation (Howarth 1976), in Zimmerman (2008). Extraversion has been found to have a correlation with the degree of 4% towards the turnover and, thus, it is not significant. It is possibly because Extraversion personality is an individual who is good at communication, but does not have a good working ability. However, Zimmerman's finding is not consistent with the result of Barrick and Mount study (1991) which has found that personality has a weak correlation with the change, but it supports the finding of the research of Salgado (2002).

This study re-examines a type of personality, but it uses it as a moderating variable in the effect of the CEO's perception on the compensation with the turnover. Personality used as it is referred to the types of personality built by McCrae and Costa (1987), known as The Big-Five Inventory, namely Openness to experience, Conscientiousness, Extra-

version, Agreeableness, and Neuroticism. People with openness personality have a high motivation to learn new skills, and they will do well in the training (Barrick and Mount 1991). Generally, openness personality is characterized by an appreciation of art, emotion, adventure, unusual ideas, curiosity, and a variety of experiences. People with conscientiousness personality when they are already working (paid/hired) in a certain organization, they do not only tend to perform well, but also have a strong motivation to achieve such performance, lower the level of desire to move (Zimmerman 2008). Generally, conscientiousness personality is marked by a tendency to show self-discipline, act dutifully, aim for achievement; actions planned and unspontaneous personality.

People with extraversion personality is often found to be happy in the workplace, which may be due to their success in building a good relationship and easiness to adapt to the people around them (Judge, Heller and Mount 2002). Generally, they are characterized by energetic behavior, having positive emotions, excitement, and a tendency to seek new challenges elsewhere. Individuals with agreeableness personality are tending to be loving and cooperative rather than suspicious and antagonistic to others. Agreeableness personality is marked by friendly or compassionate vs. cold or not good. People with neuroticism personality has a tendency to experience unpleasant emotions easily, such as anger, anxiety, depression, or vulnerability, Denissen and Penke (2008), found a low sense of forgiveness (Ashton and Lee 2007), a negative influence, impaired thought and personality (McCrae and Costa 1997), being rigid over responsibility for project partner when having desire to achieve a goal (Holmes 2002), and a desire to dominate (Lieshout 2000).

Big-Five personality is chosen in this study because this type of personality has also been used in previous studies in Indonesia. Research conducted by Widhiarso (2004) concluded that the shape of this personality is quite capable of measuring personality at manager level. By using the Big Five personality questionnaire, Widhiarso argued that the questionnaire is sufficiently qualified and consistent to be applied in Indonesia (Widhiarso 2004). That is, although the instrument was built in the western countries, but it is relevant to be used to measure the personality type of the people in Indonesia. The explanation is the reason of the Big Five personality used in this study. Hypothesis developed using the assumption of personality theory, equity theory and expectancy theory as well as the

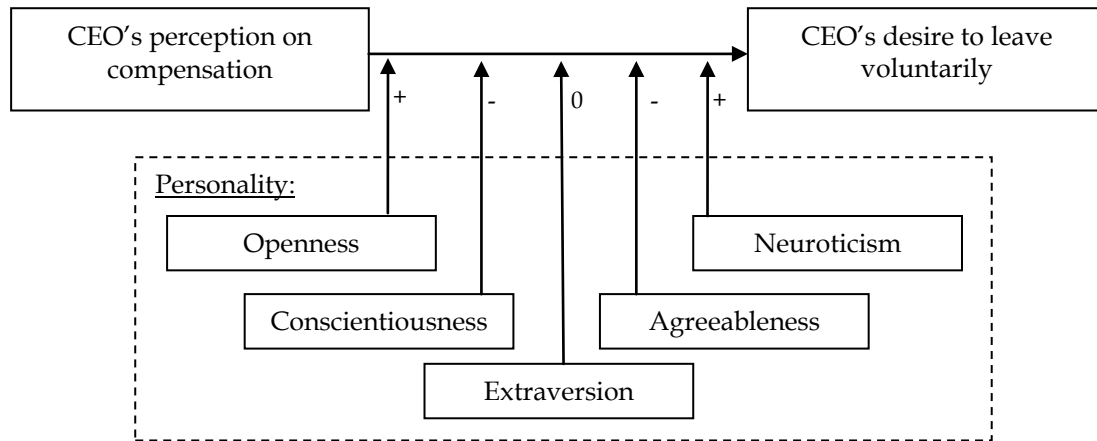


Figure 1
First Hypotheses Model

result of previous studies, is as follows:

H1: Personality has an effect on the impact of CEO's perception on the amount of compensation received and CEO turnover that occurs voluntarily.

Study by Linden, Nijenhuis and Bakker (2010) separately examined each dimension of the Big-Five Personality. Their study compared the relationship of the performance of each personality dimension. Study by Linden et al. (2010) found that Openness and conscientiousness are relatively strong predictors of performance. Zimmerman (2008) also mentioned about the problem of mutually exclusive of each personality. Hence explicitly, Zimmerman constructed and tested hypotheses for each of the big five personality types.

In reality, the existence of five types of personality is not mutually exclusive in individual self. There is only a certain type of personality that will dominate the next person and the individual tends to the personality. However, referring to previous studies, our study will also hypothesis and examine the Big-Five Personality separately. Figure 1 shows the existence of five types of personality as mutually exclusive.

(a) Openness ("O"): Generally, openness personality is characterized by an appreciation of art, emotion, adventure, unusual ideas, curiosity, and a variety of experiences. People with this personality have a high motivation to learn new skills, and they will do well in the training (Barrick and Mounth 1991). Yet they also have more ability to adapt when entering a new environment, easy to get new information, build new relationships, and quickly adjust themselves in a new type of jobs (Wanberg and Kammeyer 2000). People having personality "O" are more open to find a job in a new environment (Hogan 1983), have a broad requirement (in-

terest) (Costa and McCrae 1985; Fiske 1949), or easily switch orientation (Howarth 1976), therefore this personality is said to be able to affect directly on turnover (in Zimmerman 2008). Barrick and Mouth (1991) found people with "O" are highly relevant to people who have a high social interaction.

Another proponents are Denissen and Penke (2008) who explained that personality "O" has a characteristic, capable of handling problems with limited information and uncertain future (Holmes 2002; Lieshout 2000), has high intellectuality (McAdams 1992; McAdams and Pal 2006), has brilliant ideas (Ashton and Lee 2007), and tends to have invasion and intelligence in solving the problem. For example, Sherman and Funder (2009) have found some significant things of people having personality "O", such as the ability to speak fluently, expressing opinions well, interesting facial expression and voice, critical, and have high levels of enthusiasm and energy. Zimmerman (2008) found a positive relationship between personalities "O" with executives' turnover in the company. Therefore, if the CEO having personality "O" is offered to work in a new company with a better compensation value, it is very likely that redeployment will occur.

H1.1: Openness to Experience reinforces the impact of CEO's perception on the compensation received and voluntary CEO turnover.

(b) Conscientiousness ("C"): Personality "C" is marked by a tendency to show self-discipline, act dutifully, aim for achievement; actions planned and unspontaneous personality. Zimmerman (2008) has explained that people with personality "C" when they are already working (paid/hired) in a certain organization, they do not only tend to perform well, but also have a strong motivation to achieve such performance, lower the level of desire to

move. Negative relationship was found by Zimmerman on the relationship between personality "C" and a turnover in the company. Furthermore, people with personality "C" is also related to individuals that have an orientation in career achievement and long-term career satisfaction (Judge and Higgins 1999).

People having personality "C" are confident that they can perform well in the company and in the long run will achieve success in career. Such as the study by Denissen and Penke (2008) associated with the personality of "C", some of the attributes inherent in this type of personality are task-oriented personality (Ashton and Lee 2007), having ability to work reliably and everlasting commitment (Buss 1996), more long-term oriented (Nettle 2006), and can be trusted and having determination (Hogan 1996). According to the basic characteristics inherent in people having personality "C" above, individuals that are dominated by this type of personality consider a longer-term career compared to short-term compensation consideration.

H1.2: Conscientiousness weakens the impact of CEO's perception on the amount of compensation received and voluntary CEO turnover.

(c) Extraversion ("E"): Personality "E" is generally characterized by energetic behavior, having positive emotions, excitement, and a tendency to seek new challenges elsewhere. The most interesting characteristic of people with the "E" is that they are often found to be happy in the workplace, due to possibly their success in building a good relationship and easiness to adapt to the people around them (Judge, Heller and Mount 2002). However, people with type "E" are not always happy at all works, especially the work that eventually will deprive their intensity in social interaction (Judge, Martocchio and Thoresen 1997). People with type "E" are willing to lose their jobs for a challenge in a new place and for their social interaction.

Characteristics of personality "E" are also described in the study by Sherman and Funder (2009). Their study has found that people with type "E" have a tendency in their personality to show their ability in society, show their interpersonal styles, be critical, active in talking, articulate and fluent, and keep a distance with a partner. This shows that the personality of "E" tends to be easily accepted in a new place. Zimmerman (2008) found that extraversion has been found very low correlation as many as 0.04 with the turnover and it is not significant. These findings indicate that personality "E" does not take into consideration the compensation value

when deciding to leave voluntarily. Especially for personality "E", the theory becomes irrelevant used in the relationship between personality and the desire to leave the company voluntarily.

Furthermore, when considering other characteristics, as shown in Figure 1, the figure of type "E" tends to want to be in a new place, to show his ability in the new social environment and it is not due to a consideration on compensation in the company. Any compensation received by people with personality "E", as long as they do not see any new challenge to explore their own capabilities, then the decision to leave voluntarily may still occur.

H1.3: Extraversion does not affect the impact of CEO's perception on the amount of the compensation received and voluntary CEO turnover.

(d) Agreeableness ("A"). Personality "A" is marked by friendly or being compassionate vs. cold or not good. Individuals with personality "A" tend to be loving and cooperative rather than suspicious and antagonistic to others. The study by Denissen and Penke (2008) shows characteristics inherent in the personality type "A", which are having a sense of forgiveness and a high compassion (Ashton and Lee 2007), a high desire to cooperate (Buss 1996; Holmes 2002), and not antagonistic to others (McCrae and Costa, 1997).

Sherman and Funder (2009) found behaviors dominating personality "A", such as behaving in a good way and showing hospitality, helping others at work consistently and not depending on mood (Ilies, Scott, and Judge 2006), having high empathy and thus having tendency to repay the goodness given to them (Skarlicki, Folger and Tesluk 1999). People with personality "A" were also found to correlate negatively on labor turnover (Zimmerman 2008).

This might be due to a good character, being friendly, calm, forgiving, coordinative, and enjoying working in the company, as described in Figure 1 about personality "A" and other studies. People with personality "A" do not have more demands, and can accept the policies made by the company. Hence, CEO with personality "A" is not easy to decide to leave the company if their performance is rewarded with a relatively low value of compensation.

H1.4: Agreeableness weakens the impact of CEO's perception on the amount of compensation received and voluntary CEO turnover.

(e) Neuroticism ("N"): Personality "N" has a tendency to experience unpleasant emotions easily,

such as anger, anxiety, depression, or vulnerability. In BFI dimension, type "N" generally has the highest value of unwanted aspects. The study of Denissen and Penke (2008) on personality "N", found a low sense of forgiveness (Ashton and Lee 2007), a negative influence, impaired thought and personality (McCrae and Costa 1997), being rigid over responsibility for project partner when having desire to achieve a goal (Holmes 2002), and a desire to dominate (Lieshout 2000). Basically, people with personality "N" are difficult to establish and maintain relationships with others.

When associated with the desire to leave voluntarily, the result of study done by Zimmerman (2008) found that personality type "N" had an impact on the desire and individual turnover personality. In the issue of this study, personality "N" was positively related to the desire to leave voluntarily. It also becomes the basis of the assumption to predict that when a CEO with personality "N" receives compensation that is not in accordance with her or his expectations, then the desire to leave the company will be even greater.

H1.5: Neuroticism reinforces the impact of CEO's perception on the amount of the compensation received and voluntary CEO turnover.

The Relationship between Compensation and Voluntary CEO Turnover

Research in the area of the relationship between compensation and the CEO turnover is not yet getting its conclusiveness. Some studies support the labor market theory, explaining that the talented manpower will be offered a higher compensation and thus it will lead to higher labor turnover executives. However, some studies do not support. For example a study on relationship issues of compensation on CEO turnover has been done by Conyon and Nicolitsas (1998), related to payment of the CEO and the CEO turnover. The important question of their study was whether the labor market for top executives worked? In this study, Conyon and Nicolitsas found payments received by executives in small and medium-sized enterprises were lower when being compared to large companies and this issue led to the soar of CEO turnover in these companies.

Many subsequent studies examined the relationship between compensation and the turnover. The study of Chakraborty and Sheikh (2009) provided a finding that incentive and CEO turnover were two related things. However, this was highly variable, depending on how much the CEO's ownership toward the equity of the company. The re-

sult of this study suggested that the strength of a great incentive might increase the strength signal of the performance measurement and subsequently pushes CEO turnover. Furthermore, the study by Eriksson (2005), found that company's performance has affected the growth of the incentives for top managers. In poorly performing companies, it was found that CEO turnover had been increased. This finding seemed to indicate that CEO turnover was due to a worsening company's performance and had an impact on the compensation received by executives and subsequently the compensation became the determinant of CEO turnover. Preliminary studies conducted by Fich and White (2003), also suggested that CEO's compensation which tends to be higher will result in the lower CEO turnover. Proper interpretation of these results is that mutual interlock is an entrenchment for CEO, and high compensation and low CEO turnover are the form of this entrenchment.

Takahashi (2006) did not find any literature that investigated the relationship between compensation and the possibility of CEO turnover. Takahashi assessed that previous studies had only focused on the partial relationship between company's performance and compensation, or company's performance on CEO turnover only. Takahashi's study estimated the existence of negative relationship between the form and the amount of compensation with the possibility of CEO turnover. Moreover, they have found that the amount and the form of compensation have a significant impact on the possibility of CEO turnover.

An article written by Hadlock and Lumer (1997) found a very less sensitive changing on the top management toward the performance of the company from their estimation in the modern company. This finding has been robust even after the potential of changing from time to time was controlled by the board composition, ownership structure, firm size, firm age, the frequency of the founder of the company involved in the company, and the variability of stock returns. Hadlock and Lumer study is once again emphasizing that the decision of CEO turnover is not directly determined by the performance of the company. There is one value that will determine the CEO to decide to leave the company, and it is not the performance of the company.

Sometimes, companies are not willing to fire the manager of the company directly when the company's performance has declined. Payment to the manager has become a consequence of the inability of the manager to enhance the growth of the

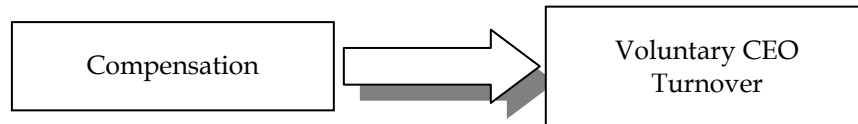


Figure 2
Second Hypothesis Model

company. This payment finally becomes a consideration of the manager to decide her or his existence in the company. Signal of the relationship between compensation and CEO turnover also existed implicitly in the study of Jensen and Murphy (1990) which stated that as predicted in the agency theory, compensation policy would depend on the change in shareholder wealth. Empirical evidence they found was that a payment to the CEO was positively related and was significant with the wealth of its shareholders, and subsequently the probability of CEO turnover would be negatively related and significant to changes in shareholders' wealth. In fact, the study of Jensen and Murphy did not related directly with compensation and CEO turnover, but the two tests made by them implicitly explained that the escalation of company's equity had an impact on the compensation received by the CEO, and further (as described Hadlock and Lumer 1997), compensation would be the consideration of the CEO to leave voluntarily.

The issue of compensation and turnover remains a hot topic. Compensation on a new CEO was found to increase compared with the previous CEO left the company (Blackwell et al. 2007; Elsaid and Davidson 2009). Blackwell found an increase in the level of compensation occurred at the sample of voluntarily turnover, and Elsaid and Davidson found an increase in the compensation amounted to 69%. Research conducted Core et al. (2008) only found evidence of a weak relationship between the reduction in the level of compensation to executives and increased CEO turnover, from observation conducted on 11,000 articles published from 1994 to 2002 year. However, a study conducted by Perry (2000) showed that an increase in equity-based compensation director turned out to be a positive impact on the likelihood of CEO turnover underperforming (see Brick et al. 2006). Nevertheless, the company's stock performance and the size of the company grew significantly in companies that provide high compensation compared with companies that provide relatively low compensation (Eisfeldt and Kühnen 2013). The research results indicate that the compensation received by former CEO may trigger change of CEO. Key persons are compensated at a high level will optimize its ability to enhance shareholder value. From these explana-

tions, this study builds a second hypothesis as follows:

Ha2: (*ceteris paribus*) the compensation received by the CEO is negatively related to CEO turnover.

Figure 2 describes the second hypothesis.

3. RESEARCH METHOD

Research Population

The data on CEO turnover were collected manually by tracing the names of the Director (as research population) stated on the company's annual report, from 429 firms. To determine whether CEO turnover was involuntary or coercive, this research examined the growth of the company in which the CEO turnover occurred after the CEO had served a minimum of three consecutive years. If the growth had been good (positive, an average of three years when the CEO officiated) then it was called voluntary turnover. Meanwhile, the respondents of this study were the entire CEOs who worked in companies listed on the Indonesia Stock Exchange.

Research Data

This study used primary and secondary data in accordance with the needs of the research design. The primary data were those of CEO's perception on the compensation, their desire to leave voluntarily in connection with the use of compensation considerations, and the data of CEO's personality. Primary data was collected using a questionnaire via mail survey. A total of 10 of statements were used to obtain information related to the CEO's perception on the compensation and their intention to leave the company, and 54 statements for personality.

The pattern of statements drafting was deliberately designed not in line with the aim to ensure the seriousness of the respondents in understanding each of the statements. The scale used for all statements was 1 to 5, where 1 represented "strongly disagree" and 5 for "strongly agree". Secondary data used was the data of the company's performance (net income, stock price, and total assets), as well as data of CEO turnover. For compensation data, in addition to data collection using a hand-collected method, this study also used the information released by Bisnis Indonesia, in the IDX Watch book.

Econometric Model

The main hypothesis of this study stating that personality affects the impact of the CEO's perception on the compensation toward CEO turnover has been tested by using equation 1. Because the personalities used in the study consist of five personality types, the first test of this hypothesis will be performed 5 times, each for personality type according to the derivation of hypotheses. Any kind of personality test is denoted by number 1, and otherwise it is 0.

$$\text{Turn} = \alpha_0 + \alpha_1 \text{PerComp} + \alpha_2 \text{Person} + \alpha_3 \text{PerComp} * \text{Person} + \varepsilon_i \quad (1)$$

Description:

Turn=turnover, *PerComp* (perceptions of compensation), *Person* is personality.

Furthermore, the second hypothesis which reads: (*ceteris paribus*) the compensation received by the CEO is negatively related to CEO turnover, has been tested by using equation 2. Three control variables which have been used are due to a consideration that the theory and the results of previous studies have found a connection between CEO turnover and accounting performance and market performance. ROA was found to correlate negatively and significantly, at least in the research of Warner et al. (1988), Weisbach (1988), Virany et al. (1992), and Shen (2000). Meanwhile, earnings were found negative and significant in the study of Engle et al. (2003), and DeFond and Hung (2003). Stock Price was found to be negative and significant in the study of Warner et al. (1988), Beatty and Zajac (1987), Engle et al. (2003), DeFond and Hung (2003), and Fee and Hadlock (2004). While ROA was associated with the turnover in the study of Huson et al. (2001).

$$\text{Turn}_{1,0} = \alpha_0 + \alpha_1 \text{Comp} + \alpha_2 \text{Return} + \alpha_3 \text{Earnings} + \alpha_4 \text{ROA} + \varepsilon_i \quad (2)$$

Description:

Turn=turnover (1 for voluntary turnover, 0 for no turnover), *Comp*= compensation.

Research Variables

To provide better information, the research variable will be described for each hypothesis.

The First Hypothesis:

Dependent variable: The data of CEO turnover is based on the perception obtained using a questionnaire on CEO's desire to leave voluntarily on the perception form. There were 6 statements used to gain information related to the CEO's desire to leave the company with consideration of compensation.

Independent variable: The independent variables are perceived over the amount of compensation received from the company's CEO. This data was obtained through questionnaires.

Moderating variable: Personality is the moderating variable in which, in the area of research on compensation and CEO turnover earlier, it has not been found any test on the sensitivity between compensation and the turnover with consideration of the CEO's personality.

The Second Hypothesis:

Dependent variable: CEO turnover in the second hypothesis is the real turnover, which occurs voluntarily. Determination of the voluntary uses the assumption that the change occurs only if there are any positive growth of companies on three years before turnover. Voluntary turnover testing used in this study is becoming originality research.

Independent variable: The compensation variables consist of two types, each secondary data is derived from the total of remuneration earned from company annual reports, and accumulated in the JSX/IDX Watch issued by Bisnis Indonesia. The primary data is the compensation based on the CEO's perception that currently serves or who currently serves as a CEO and previously was a CEO of another company. The portion of the remuneration distribution until generating CEO's compensation will be traced from the information disclosure of the Board of Commissioners and from report of the General Meeting of Shareholders.

Control variables. The control variables preferred are the company's performance that has been used in previous studies and has a significant impact on CEO turnover, which consists of earnings, stock price, and ROA which are commonly used as two major indicators for measuring the performance of the company.

4. DATA ANALYSIS AND DISCUSSION

Research Data

Primary Data: This study uses the actual respondents, as well as the data on the voluntary CEO turnovers which have been obtained through a series of tests. Using performance indicator, it resulted in a quite interesting finding. From a total of 68 CEOs who had voluntarily changed, only six people who became CEOs of the new places, 2 as CEOs and the other 4 as parts of the management team and the board of commissioners and management team.

Due to a reason of respondents' representation, this study eventually used a model of perception

Table 1
Research Respondents for Primary Data

Number of Questionnaires Sent to	Total
CEO of company listed on the Indonesia Stock Exchange, by annual report 2010	443
Others	19
Total	458
Number of questionnaires returned from:	
CEO of company listed on the Indonesia Stock Exchange, by annual report 2010	51
Others	17
Total	68
Invalid questionnaires returned from:	
CEO of company listed on the Indonesia Stock Exchange, by annual report 2010	0
Others:	
Incomplete	3
Returned more than 60 days	4
Final respondents	61

Table 2
Selection of Voluntary Turnover Sample 1999-2009

Number of turnover that occurred on period 1999-2009	429
Panel A: Testing of samples for voluntary CEO turnover	
CEO who has been working at least 3 years before turnover occurred than testing for Voluntary on period 1999-2009	187
CEO excluded because it is not voluntary turnover category	119
Samples for voluntary CEO turnover ^{*)}	68
Incompleteness compensation data	(13)
	55
Panel B: Collecting data of control samples	
Control sample ^{**)}	71
Incompleteness compensation data	(30)
	41
Final sample ^{***)}	96

^{*)} Voluntary CEO Turnover is determined by examining the growth of the company's performance and also data availability.

^{**)} Control sample is a company that did not conduct turnover during the observed period and also data availability.

^{***)} 55 voluntary CEO turnover and 41 control sample.

built by Porter and Lawler (1968), which means that the entire CEOs of companies listed in Indonesia Stock Exchange became the respondents of the study. In Table 1, it shows the data of the respondents of the study subsequently used to test the first hypothesis of this study.

All respondents were given 445 questionnaires. The questionnaires returned were 68 or 15.2 %. This return rate is at the value of return level that generally occurs in every survey by post. From the 68 questionnaires that were returned, there were 3 questionnaires incomplete, while the other 4 were returned after more than 60 days waiting period. Thus, the final questionnaire which data can we use was derived from 61 respondents.

Secondary Data: At the stage of secondary data acquisition, the names of the CEO from year to year in the period 1999-2009 were identified. The result of observation during the period of observation

found a total of 429 turnovers that occurred during that period. CEO turnover traced the raw data in the same style as it had done on study of Lindrianasari and Hartono (2012), but this study conducted additional tests in determining whether the CEO turnover is voluntary, i.e. by testing the performance of the CEO's performance in the 3 years before the change occurs.

Furthermore, the CEO that changed and previously had served for 3 years was then selected for a testing on the performance of the company when the CEO officiated. The difficulty of obtaining secondary data completeness eventually left a final sample of the study to test the second hypothesis only on 96 companies, consisting of 55 companies representing voluntary turnovers and 41 companies of control (Table 2). Meanwhile, the value of the compensation, which was originally designed to use the service of a professional institution in the

field of compensation assessment in Indonesia (such as *Bisnis Indonesia*, *Watson Towers*, *HR Portal*, and *Human Capital Magazine*), was then finally using remuneration data contained in the annual report and the *IDX/IDX Watch Library* published by *Pustaka Bisnis Indonesia*.

The portion of special compensation distribution for the CEO applied a formula was created by using several references, such as information from the *JSX Watch* (2007) describing the distribution of the remuneration package of big companies in Indonesia. The portion of the compensation distribution also considered what was described in the online magazine released in 2009 and that was on <http://indonesiacompanynews.wordpress.com>, that:

"The composition of the distribution uses the 100 percent standard scheme for the chief executive, while the management receives a bonus of 90 percent from the amount received by the chief executive. Chief commissioner receives a bonus of 40 percent from the amount received by the chief executive. Commissioner receives a bonus of 36 percent from the amount received by the chief executive and the secretary of the Board of Commissioners receives a bonus of 15 percent from the amount received by the chief executive".

Finally, the formula used in this study were: 100% for the CEO; 95% for the Vice Director; 90% for the Director; 50% for the Chairman of the Commissioner; 45% for the Vice of the Commissioner, 40 for the Commissioner; and 15% for the Secretary, of the amount received by the CEO. This distribution may not be consistent with the fact that it occurs in the company. But at least, this formula can give an idea of the amount of compensation received by the CEO in Indonesia.

Validity Test and Reliability Test of the Questionnaire

Validity test is intended to determine whether the instruments used were able to capture object of perceptions that is being measured, so that they can capture the actual respondents' perceptions. Therefore, the questionnaire should have been built as good as possible so that the result reflects the condition of the field. This study use Pearson correlation to measure the validity of the instrument. The result obtained from the validity test showed that instruments that had been used were valid, with the correlation significance at the level 0.05, others were even at the level of 0.01. As for the reliability test of the questionnaires, this study

used a split half that was contained in SPSS. In the result of the data process, it was found that Cronbach alpha result was 0.867 with a correlation of 0.493. This result indicated that the questionnaires used were reliable. Questionnaires with a good reliability will show a good consistency of the answers.

Hypothesis Testing

This study is important to provide a new point of view on the relationship between variable compensation and CEO turnover. CEO is a subject chosen based on the consideration that the CEO is the key person in the company, and achieving the stability of the anticipated performance of the company against losing CEOs (especially the CEO who has specific expertise) absolutely must be done. As described Baron, Hannan and Burton (2001), the changing of important people in the company will lead to changes in the organization and further will ultimately have an impact on organizational performance. Furthermore, Zimmerman (2008) explains that the company is theoretically important to understand the relationship between personality types with CEO turnover due to the company's CEO to understand the personality types can anticipate that the CEO turnover can be reduced, and this will have an impact on cost efficiency. Therefore, this study tries to find the effect of the CEO's personality on their desire to leave the company voluntarily, when they are not satisfied with the compensation that they receive from the company.

Testing and Discussion of the First Hypothesis

The first hypothesis of this study states that personality affects the relationship between CEO's perception on compensation toward voluntary CEO turnover. Overall, the finding obtained from statistical test results has shown empirical evidence that the five factors of personality (the big five inventory) which was first introduced by McCrae and Costa (1985; 1987), plays a role in influencing the CEO's perception on the amount of compensation they receive toward their desire to leave voluntarily. This study uses a significance level of 5% and a two-sided t-table= 2,000. The finding provides an important confirmation, why for all this time the results of research in the area of the relationship between compensation and CEO turnover using secondary data have not found consistent results. Table 3 is demographic data of respondents and Table 4 is summary of test result of personality as a moderating variable.

Table 3
Demographic Data of Respondents

Respondents	Total
Type of personality	3
Openness	26
Conscientiousness	13
Extraversion	18
Agreeableness	1
Neuroticism	19
Educational background	27
Engineering	6
Economics	9
Others	4
n.a.	17
Age	24
< 40 y.a.	7
40 - 50 y.a.	9
50 - 60 y.a.	9
> 60	9
n.a.	9

Table 4
Test Result of Personality as a Moderating Variable

Personality	Adj. R Square		Coefficient	t-test	P-value
Openness	0.048	Compensation	0.100	0.794	0.430
		Moderator	0.264	2.094	0.041 ^{*)}
		Compensation	0.133	0.474	0.638
Conscientiousness	0.037	Moderator	-0.151	-2.077	0.042 ^{*)}
		Compensation	0.104	0.796	0.429
Extraversion	-0.021	Moderator	0.059	0.449	0.655
		Compensation	0.117	0.904	0.370
Agreeableness	0.000	Moderator	-0.155	-1.192	0.238
		Compensation	0.097	0.751	0.456
Neuroticism	0.002	Moderator	0.161	1.246	0.218

Note: ^{*)}Significant level <5%.

Openness to Experience Reinforces the Impact of CEO's Perception on Compensation toward Voluntary Turnover

There is a significant result in the test result of personality type of openness to experience (O) which was expected to strengthen the CEO's desire to leave voluntarily when he was not satisfied with the value of the compensation received. Before including personality as a moderating variable, *t*-test of the compensation based on the perception was 0.794 with *p*-value was 0.430. Yet, after being moderated by openness personality, the *t*-test of the moderating variable was 2.094 with *p*-value as much as 0.041.

This finding explains that people who have a high curiosity have the intellectual, that are creative and open to new ideas, which have been the characteristics of people with the type of personality 'openness', will be easy to decide to move to a new place when they are not satisfied with the compensation they receive. This condition is very much in line with equity theory and expectancy theory, as well as the model of perception proposed by Potter and Lawler (1986). This result is also consistent

with the results of the study done by Hogan (1983), Howarth (1976), and Zimmerman (2008). This finding also becomes a reason to accept the hypothesis stating that openness to Experience reinforces the impact of CEO's perception on the compensation toward the turnover.

Conscientiousness Weakens the Impact of CEO's Perception on Compensation toward Voluntary Turnover

Test result of conscientiousness personality type was predicted to weaken the desire of a CEO to leave the company when he was not satisfied with the value of the compensation received. It showed significant results. Before adding conscientiousness personality as a moderating variable, the *t*-test value of the compensation based on the perception was 0.474 with *p*-value of 0.638. Yet, after being moderated by conscientiousness personality, the *t*-test of the moderating variable was -2.077 with *p*-value of 0.042.

This study successfully explains that people who have an organized way of life are systematic, results-oriented and tend to have the dependency

character, which is the characteristic of people with the conscientiousness personality type, will not be easy to decide to move to a new place even though they may not be satisfied with the compensation they receive. This finding is in line with the results of studies done by Zimmerman (2008), Judge and Higgins (1999). The finding has a strong reason to accept the hypothesis that conscientiousness weakens the impact of CEO's perception on compensation toward the turnover.

Extraversion does not Affect the Impact of CEO's Perception on Compensation toward Voluntary Turnover

Extraversion personality type that was predicted to have no effect on the CEO's desire to leave voluntarily when they were not satisfied with the value of the compensation received, was supported by a significant statistical test result. When the CEO's perception on the compensation they receive was regressed on their desire to leave voluntarily, the result statistically was found to be insignificant. Similar result was also found when extraversion moderated the relationship between the two. The finding of this study is consistent with the study of Zimmerman (2008). The test results showed that before including extraversion personality as a moderating variable, the t-test of the compensation based on perception was 0.796 with p-value of 0.429. However, after being moderated by extraversion personality, the t-test of the moderating variable was 0.449 with p-value of 0.665.

Agreeableness Weakens the Impact of CEO's Perception on Compensation toward Voluntary Turnover

The next test performed on agreeableness is also consistent with the prediction of the theory. Agreeableness shows its ability to weaken the impact of CEO's perception on the compensation they receive toward the desire to move to another company.

In other words, the CEO having this personality did not see the amount of compensation they received as a major consideration to be loyal to the company. Although agreeableness was not significant statistically as moderating variable, but its function in weakening the impact of CEO's perception on the compensation they receive toward the desire to leave voluntarily was clearly visible. Before adding agreeableness personality as a moderating variable, the t-test of compensation based on perception was 0.904 with p-value of 0.370. However, after being moderated by agreeableness, the t-test was -1.192 with p-value of 0.239. This

finding becomes a strong reason to reject the hypothesis stating that conscientiousness weakens the impact of CEO's perception on compensation toward the turnover, or in other words, this hypothesis is rejected.

Neuroticism Reinforces the Impact of CEO Turnover on Compensation toward Voluntary Turnover

The test result of this hypothesis suggested that neuroticism, as a moderating variable, was capable in reinforcing the desire to leave voluntarily when the compensation received by the CEO was considered unfair. Statistically, before adding neuroticism personality as a moderating variable, t-test of compensation based on perception was 0.751 with p-value of 0.456. However, after being moderated by neuroticism, the t-test of the moderating variable turned was 1.246 with p-value level of 0.219.

Although this result was not statistically significant and hypothesis associated with Neuroticism was rejected, theoretically, neuroticism successfully demonstrated its function as a factor that strengthened the impact of perception on the amount of compensation toward the desire to leave voluntarily. This finding is in line with the result of studies done by Zimmerman (2008) in a meta-analysis, which found that neuroticism personality type had an impact on the desire and personality of the individual turnover in the company.

Jackson and Rothstein (1991) conducted a review on a meta-analysis related with the personality measurement to predict the performance of one's job, and stated that it was important for companies to measure, recognize and understand the personality types of the employees, proven empirically in this study. Understanding the personality type of the individual who will be the key person in the company becomes a very important part to provide the right treatment in accordance with the personality of the person.

Suggestion from previous researchers (like Finkelstein and Hambrick 1988; Datta and Guthrie 1994; and Fredrickson et al. 1988) is to include more factors inherent with the CEO individual. In this case, this study has given empirical evidence for the development of the research topic in the field of CEO turnover that occurs voluntarily.

Testing and Discussion of the Second Hypothesis

Before discussing the results of testing for each hypothesis, the following descriptive statistics are presented in Table 5. Statistics present descriptive information about the data set used in the testing.

Table 5
Descriptive Statistics

	Samples	Mean	Max	Min	Std. Dev
Panel A: Main Variables					
Turnover	96	0.4271	1.00	.00	.49725
Compensation	96	1.3789	1.7217	0	2.176
Panel B: Control Variable					
Earnings (in millions)	96	601.510	34.500	(239)	6.236
Return	96	6.65	95	-308	38
ROA	96	5.21	37	-16	9
Age	96	1.8646	3.00	1.00	.59152

Table 6
Characteristics of Samples and the Test Results

	Variables	Wald	B	p-value.
N=96	Compensation	2.036	.000	.154
0 = 41	Earnings	5.745	-.000	.017 ^{*)}
1 = 55	Return	3.890	-.054	.049 ^{*)}
Logit test	ROA	3.985	-.106	.046 ^{*)}
	Age	.039	-.076	.842

Note: ^{*)}Significant level <5%.

This information is useful to see, in brief, the data structure.

This study further conducted a testing on compensation, accounting data and market data as factors related to the issue of voluntary CEO turnover. The testing of the second hypothesis uses logistic regression, because the dependent variable is dichotomous or binary variable. Kleinbaum (2002) stated that if the value of (z) is between 0 and 1, the use of logistic regression is a popular tool. The dependent variable used in this study is denoted to be 1 and 0, which is 1 for CEO turnover and 0 for no change.

Overall, the result of the logit regression for data used in this study shows the omnibus test value of the chi-square test that had a very strong significance, each with p-value of 0.001. The value of chi-square omnibus test of model coefficients that was less than $p = 0.05$ made the null hypothesis of the study that stated that there was no relationship between the independent variable on the dependent rejected. Furthermore, the effect of the independent variable was indicated by the value of Nagelkerke's R square as much as 0.24, and to recognize the partial value of Nagelkerke's R, it was described by Wald along with its significance. The test result of the model for the second hypothesis using logit regression shows that this model was good enough, so that an explanation of each variable on the dependent could be done.

Overall result of the analysis is described in Table 6 as well as the characteristics and test result that have been performed in this study, including

the sample. Statistical results show that compensation is not strong enough to explain its relationship toward turnover. On the other hand, earnings, returns and ROA, which are incorporated into the model as control variables, are supported as antecedent models of turnover statistically; compensation was significant at 0.15 levels, while the earnings, returns and ROA are significant at $p \leq 0.05$ levels. This result also strengthens the first hypothesis of this study that personality is an important factor that affects the relationship between the amounts of the compensation received by the CEO toward his turnover that occurs voluntarily.

Compensation: Statistical analysis shows that p-value of compensation is 0.154 indicating that voluntary turnover is not caused by compensation, but because there must be other factors that influenced it. Value of B= 0.000 and 2.036 for Wald, has strengthened the argument that the value of compensation received by the CEO in a big company in Indonesia is not a factor that causes voluntary CEO turnover. This result also provides a reason that this study did not have a statistically sufficient reason to support the second hypothesis assuming: (ceteris paribus) the compensation received by the CEO is negatively related to CEO turnover. In other words, the second hypothesis of this study was not supported by using 96 data of large companies in Indonesia during the period of observation from 1999 to 2009.

Earnings were found to be significant (the probabilistic value was 0.017) for turnover that occurred voluntarily. A negative relationship was

shown with the value of $B = -0.000$ and Wald 5.749 indicating that a low net profit would encourage CEO turnover in the company. Overall, earnings were predicted to have a negative relationship with turnover. Thus, this result also supports previous studies which have found that the lower earnings obtained, the higher CEO turnover occurs in a particular company. The test that was conducted on the relationship between stock returns and the turnover played a role when the change occurred in the company, with a significance of 0.049. Supported also by the value of $B = -0.054$ and Wald 3.89, overall statistical result indicated that CEO turnover occurred when the average of the return earned on investments made by the owner was lower.

The significance of ROA is at 0.046 showing that this variable is a factor that determines the turnover. The value of $B = -0.106$ and Wald 3.985 have reinforced the signal that accounting performance is a factor to be considered when companies make critical decisions. This finding supports the previous study done by Shen (2000). The last is the control variables testing, whether the age of the firm had a relationship with the voluntary turnover, shows no significant result. It is evident that the significance of age is at 0.843 indicating this variable could not be a factor that determines the turnover. This result is also supported by the value of Wald of 0.039. However, the relationship is still consistent with the evidence as it is predicted ($B = -0.106$). This finding indicates that CEO turnover is more common to take place in relatively new companies compared to a company that has been established, although the relationship is not very meaningful.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

In general, it is evident that each personality which has been positioned as a supported moderating variable is in line with the theory. Openness and conscientiousness personality types have an important role in influencing the relationship between CEO's perception on the compensation they receive and their desire to leave voluntarily. On one hand, conscientiousness will weaken CEO's desire to leave the company, while openness strengthens the relationship between the two. On the other hand, extraversion personality as it has been predicted would not affect the impact of CEO's perception on the compensation toward the turnover. It is in fact also supported. This condition is in line with the prediction done earlier while providing empirical evidence why the findings of studies that examined

the relationship between compensation and turnover have not been conclusive.

This evidence is in line with the prediction done earlier that, at least, there is one type of personality that dominated CEO's desire when deciding something important in their career, which is leaving the company voluntarily. Meanwhile, extraversion personality, as what has been predicted that it does not affect the impact of CEO's perception on the compensation toward CEO turnover, is also supported.

The next evidence is related to the CEO's personality as a moderating variable, which affects the relationship between CEO's perception on the compensation toward voluntary turnover. This has also answered the findings that have failed to support that the amount of compensation (in remuneration). It is the trigger towards the turnover. The result of this study provides an important finding that not all CEOs will decide to leave the company when the compensation factor becomes a major issue to be considered. CEO's personality plays an important role in decision to leave the company, even when the compensation they receive is relatively smaller than other CEOs do.

Further affirmation is concerned with the relationship between compensation and turnover indicates that compensation is not strong enough to explain voluntary CEO turnover. Only the control variables included in the model (earnings, returns and ROA) can explain statistically the relationship between compensation and turnover. The result of these two tests (hypothesis one and two) indicates that compensation is not strong enough to explain voluntary turnover.

All in all, it can be concluded that personality plays an important role in the CEO's consideration to leave the company voluntarily when compensation becomes an issue to be considered. Hence, this study successfully provides contribution to the development of the labor market theory for executives. Not all CEOs in Indonesia consider compensation an important reason for deciding to leave the company. Interviews to six executives also provide important information that they have loyalty to the company that pays them, especially when they are given the authority to manage the company in accordance with their competence. However, limitation of the compensation value at certain limit literally determines their comfort in working.

This study has limitations such as it was not easy to determine the right portion of the remuneration package distribution published by the company. The distribution formulation done was only

based on the professional consideration according to the portion of several companies. Subjectivity remained there, although the objectivity was still pursued. Therefore, the compensation value used in the test could not be separated from bias. Another limitation is the difficulty to determine whether the CEO turnover was voluntary.

This study uses a measure of growth with cautious consideration. Three variables representing each of the accounting and financial resources used such as Assets, Revenue, and PBV that were expected to represent a measure of performance assessment. New findings in this issue are still very much needed studies on the CEO compensation have not been considerably done in Indonesia.

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